

**White House threatens housing veto**

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WASHINGTON - The White House said President Bush would veto a foreclosure rescue the Senate began debating Thursday, as GOP conservatives sought to block the measure amid a scandal over cut-rate mortgages for senators.

**Administration officials said they oppose \$4 billion in the measure to help states buy and rehabilitate foreclosed properties and a plan to have government-sponsored mortgage giants Fannie Mae and Freddie Mac pay for the rescue.**

They announced their objections as two GOP senators said they would try to block the package until a committee can investigate how much Countrywide Financial Corp. and other lenders stand to gain from it.

House and Senate Republicans are voicing reservations about the bill in light of allegations that Senate Banking Committee Chairman Christopher J. Dodd, D-Conn., one of its architects, and Senate Budget Committee Chairman Kent Conrad, D-N.D., got cut-rate home loans through a VIP program at Countrywide, a leading subprime lender at the center of the mortgage meltdown.

Both said they neither sought nor knew about the special treatment.

"There have been very serious concerns raised about actions taken by Countrywide and we need to know what they stand to gain from this bill," Sen. Jim DeMint, R-S.C., said in a statement.

The move by DeMint and Sen. Jim Bunning, R-Ky., if successful, would send the housing package back to Dodd's panel, essentially killing it.

Still, the election-year bill, which could help hundreds of thousands of struggling homeowners, enjoys broad bipartisan support.

Democrats and many Republicans consider it a political imperative amid rising foreclosures and growing public anxiety about the sagging economy.

"We have a chance to complete action on this, and to make a difference, and to say to the American people, in this Congress, we did something. We stepped up and tried to make a difference," Dodd said.

Sen. Richard C. Shelby of Alabama, the senior Banking Republican who exacted large concessions from Dodd to win bipartisan backing for the measure, said acting on it was a chance to show that Congress could move on a pressing issue.

"The American people expect us to provide effective and timely solutions the best we can," Shelby said.

The centerpiece of the package is a foreclosure rescue program in which the Federal Housing Administration would provide \$300 billion in new, cheaper mortgages for distressed homeowners who otherwise would be considered too financially risky to qualify for government-insured, fixed-rate loans.

Borrowers would be eligible if their mortgage holders were willing to take a substantial loss and allow them to refinance, and would ultimately have to share with the government a portion of any profits they made from selling or refinancing their properties.

The measure is designed to help hundreds of thousands of borrowers in danger of losing their homes, but it also would benefit mortgage holders by allowing them to avoid costly foreclosures and reclaim some of what they're owed by people facing financial ruin.

The bill would tighten controls on Fannie Mae and Freddie Mac — which provide huge amounts of cash flow to the mortgage market by buying home loans from banks — creating a new regulator for the firms.

It also would provide a \$14.5 billion array of housing and other tax breaks, including a credit of up to \$8,000 for first-time homebuyers who buy a home in the next year and boosts in low-income tax credits and mortgage revenue bonds.

A group of 28 House Republicans wrote to Speaker Nancy Pelosi, D-Calif., on Thursday demanding an investigation — with open hearings — on the Countrywide allegations.

"At a time when millions of Americans are struggling to repay their mortgage debts while coping with \$4/per gallon gasoline and soaring foods prices, they will be outraged to learn that some members of Congress may have personally profited from their official positions through secret sweetheart deals on their mortgages," said the letter, signed by House leaders. "Although there is no evidence that has arisen to suggest direct quid pro quo dealings, it is extremely troubling that these revelations of preferential treatment have emerged at a time when Congress is considering multiple legislative proposals affecting the mortgage lending industry."

Rep. Barney Frank, D-Mass., the House Financial Services chairman, said his panel wouldn't look into the Countrywide case, given its already full schedule and a pending Senate Ethics Committee probe of the matter. He defended Dodd in a statement.

"At no point in any of our joint efforts has Senator Dodd shown even the slightest indication that he was in any way influenced by considerations other than what was best for the economy and the American people," Frank said.

**Still, Frank and other Democrats have serious concerns about the Senate housing measure that could frustrate leaders' desire to send it to President Bush before Congress breaks for a weeklong July 4 vacation.**